

# KENTUCKY ECONOMIC INDICATORS

August Indicators as of October 31, 2003

- **KY Composite Index of Leading Indicators increased 1.1 percent for August.**
  - The Leading Index rose for the fourth consecutive month.
  - The Leading Index rose by 0.2 percent over the same month last year.
  - Component indicators were mixed gainers over loser 3:2.
    - KY Labor Intensity Index decreased 0.8 percent.
    - + The Conference Board's US Leading Index increased 4.3 percent.
    - + The Index of KY Initial Claims increased 4.0 percent.
    - + Retail Sales grew substantially 14.9 percent.
    - Louisville HWI decreased by three points to 47.
- **KY Composite Index of Coincident Indicators decreased 1.3 percent for August.**
  - The Coincident Index decreased for the fifth time this year.
  - Year over year change was negative for fifth consecutive month by 0.2 percent.
  - Component indicators were all negative this month.
    - KY Total Nonagricultural Employment decreased by 2.7 percent.
    - US Personal Income Less Transfers fell slightly 0.8 percent.
    - US Industrial Production decreased 0.6 percent.

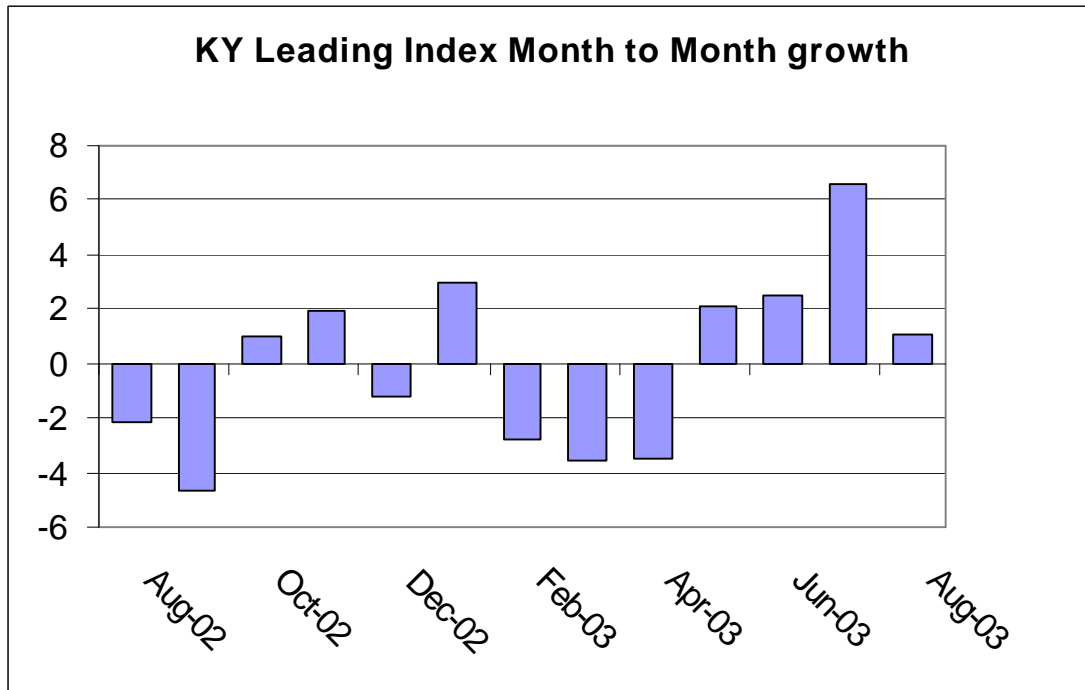
The Kentucky Leading Index was positive for the fourth consecutive month. Moreover, year over year growth finally turned positive after five months of consecutive declines. The Index currently stands at 111.0. This is down 3.9 percent off of its recent peak of 114.3 from March 2000. US Retail Sales and the KY Labor Intensity Index continue to drive the Index but the poor labor market continues to temper any growth that might have occurred. The index has not yet recovered 25 percent of its most recent peak to trough losses. Since the last trough in September 2001, there have been several three-to-five month periods where the Index has gained ground, but never recovered 25 percent of the recession losses. After each such period, there have been one or two strong negative months which brought the Index back down to its trough level. The Index has currently recovered an optimistic 23.7 percent of its most recent peak to trough loss.

This particular recession seems to be entrenched quite strongly, which is most evident in the labor market data. One measure of the entrenchment of a particular recession is the length of time it takes to recover 50 percent of the decline from the peak to trough. In the 1980 recession (with an Index peak of 88.8 in September 1979 and trough of 84.6 in June 1980), the recovery was quick and strong, regaining 50 percent of the losses by October 1980. The 1981-3 recession (with an Index peak of 87.8 in April 1981 and trough of 84.6 in June 1982) was strong but a bit slower, regaining 50 percent of losses by March 1983. The 1990 recession (with an Index peak of 99.8 in March 1990 and trough of 97.5 in January 1991) was more of a V-recovery similar to the 1980 movement, regaining 50 percent of losses by June 1991. Recovery sputtered a bit after reaching the 50 percent mark however and there was no positive growth for the second half of 1991. The 2001 recession appears similar to the 1990 recession in that it has encountered a period of no growth for several months.

Assuming we reached the trough in September 2001 at 109.9, 30 months later we have not yet recovered 50 percent of losses (which would be an Index of 112.1). This is more than three times as long as any of the others at 4 months, 9 months, and 5 months respectively.

Firms are still holding off on rehiring as nonagricultural employment remains down 21,000 jobs since August of 2002. The Louisville Help Wanted Index fell back to the May level of 47 again for August. This is its lowest level in over 30 years.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



**About the Indicators**

**Kentucky Reference Series**

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

**Kentucky Leading Indicators**

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

**Table Notes:**

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, [www.osbd.state.ky.us](http://www.osbd.state.ky.us).

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# SELECTED KENTUCKY ECONOMIC INDICATORS SEASONALLY ADJUSTED

2002

2003

	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
KY Leading Index (1992=100)	110.8	110.4	110.5	110.7	110.6	110.8	110.6	110.2	109.9	110.1	110.3	110.9	111.0
% Chg Previous Month SAAR	-2.1	-4.6	1.0	2.0	-1.2	2.9	-2.7	-3.5	-3.5	2.1	2.5	6.6	1.1
% Chg Same Month Last Year	0.1	0.4	0.4	0.6	0.3	0.3	0.0	-0.4	-0.5	-0.5	-0.7	-0.1	0.2
KY Coincident Index (1992=100)	127.5	127.5	127.2	127.3	127.0	127.5	127.3	126.9	126.6	126.7	126.6	127.0	126.8
% Chg Previous Month SAAR	-0.3	0.0	-2.8	1.4	-3.0	4.9	-2.0	-3.3	-2.7	0.4	-0.7	3.6	-1.3
% Chg Same Month Last Year	0.0	0.2	0.4	0.7	0.5	0.6	0.5	0.0	-0.2	-0.4	-0.7	-0.4	-0.5
KY Nonag Employment (000s)	1785.1	1785.7	1785.9	1786.8	1781.3	1793.7	1786.8	1783.9	1775.3	1770.4	1766.1	1768.9	1764.8
% Chg Previous Month SAAR	1.3	0.4	0.2	0.6	-3.6	8.7	-4.5	-1.9	-5.7	-3.3	-2.8	1.9	-2.7
% Chg Same Month Last Year	-0.9	-0.5	-0.3	-0.2	-0.2	0.1	0.1	-0.2	-0.7	-0.9	-1.1	-0.8	-1.1
KY Mfg Employment (000s)	274.3	272.9	273.5	273.0	272.5	273.0	272.7	272.2	269.9	268.8	268.1	270.3	268.6
% Chg Previous Month SAAR	-2.1	-6.2	3.0	-2.5	-1.8	2.1	-1.4	-2.3	-9.7	-4.7	-2.9	9.9	-7.2
% Chg Same Month Last Year	-4.7	-4.5	-3.7	-3.4	-3.2	-2.5	-2.3	-2.2	-2.8	-2.8	-2.8	-1.7	-2.1
KY Unemployment Rate (%)	5.5	5.4	5.4	5.5	5.5	5.3	5.7	5.7	5.8	5.7	5.9	6.1	5.8
KY Index of Initial UI Claims	100.4	99.4	99.7	100.6	98.7	100.3	99.7	98.8	98.4	99.0	99.1	99.8	100.2
% Chg Previous Month SAAR	-3.7	-11.8	4.7	10.4	-19.8	21.2	-6.6	-10.6	-5.0	7.8	1.1	9.2	4.0
% Chg Same Month Last Year	1.0	0.9	3.0	2.6	-0.6	0.3	-0.7	-0.8	-0.5	-0.7	-1.2	-0.9	-0.2
KY Labor Intensity Index (1992=100)	105.2	105.3	105.3	105.0	105.3	105.1	104.9	104.2	104.4	104.2	104.1	104.4	104.3
% Chg Previous Month SAAR	-1.3	1.0	-0.2	-2.7	3.0	-2.2	-1.5	-7.7	1.4	-1.8	-0.8	2.9	-0.8
% Chg Same Month Last Year	-0.8	-0.4	-0.2	-0.3	-0.1	-0.1	-0.3	-1.0	-0.8	-0.8	-1.0	-0.9	-0.8
Louisville HWI (1992=100)	60.0	58.0	58.0	57.0	53.0	55.0	60.0	58.0	50.0	47.0	49.0	50.0	47.0
% Chg Previous Month SAAR	-53.9	-33.4	0.0	-18.8	-58.2	56.0	184.1	-33.4	-83.2	-52.4	64.9	27.4	-52.4
% Chg Same Month Last Year	-21.1	-20.5	-10.8	-9.5	-8.6	-8.3	0.0	-13.4	-18.0	-28.8	-31.0	-21.9	-21.7
GF Total Receipts (\$mill)	488.5	655.5	570.8	527.2	642.1	635.4	419.7	438.0	696.4	416.4	617.6	470.9	459.6
% Chg Same Month Last Year	12.9	6.1	13.0	1.3	5.4	14.4	-3.1	1.8	-0.5	-3.1	1.6	8.2	-5.9
GF Sales & Use Receipts (\$mill)	231.2	201.2	217.5	189.0	192.5	233.3	150.6	165.6	199.7	190.2	191.6	208.2	197.3
% Chg Same Month Last Year	25.7	6.1	10.7	-0.7	-1.2	-1.2	-3.6	-1.3	0.1	0.3	0.1	3.2	-14.7
GF Inc. Tax Receipts (\$mill)	203.9	279.0	237.7	217.1	227.9	290.9	204.7	117.0	354.4	158.2	267.9	206.6	224.2
% Chg Same Month Last Year	0.7	-2.9	10.2	4.0	-3.2	28.9	-3.7	-0.6	-5.8	1.8	-1.5	10.1	10.0

Errata: The Kentucky Unemployment Rates presented in the June 2003 issue of the Kentucky Economic Indicators Report were Not Seasonally Adjusted numbers.  
No other series was affected.

**SELECTED U.S. ECONOMIC INDICATORS  
SEASONALLY ADJUSTED**

	2002												2003			
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG			
US Leading Index (1982=100)	110.9	110.4	110.4	111.0	111.2	111.2	110.6	110.5	110.5	111.7	112.0	112.8	113.2			
% Chg Previous Month SAAR	-1.1	-5.3	0.0	6.7	2.2	0.0	-6.3	-1.1	0.0	13.8	3.3	8.9	4.3			
% Chg Same Month Last Year	1.8	2.2	1.8	1.6	0.6	0.2	-0.4	-0.5	-0.3	0.3	0.7	1.6	2.1			
US Coincident Index (1992=100)	115.3	115.2	115.2	115.3	115.2	115.5	115.1	115.1	115.0	115.1	115.3	115.6	115.6			
% Chg Previous Month SAAR	0.0	-1.0	0.0	1.0	-1.0	3.2	-4.1	0.0	-1.0	1.0	2.1	3.2	0.0			
% Chg Same Month Last Year	0.1	0.4	0.4	0.9	0.7	0.8	0.6	0.5	0.3	0.3	0.2	0.3	0.3			
US Nonag Employment (Mil)	130.2	130.3	130.4	130.4	130.2	130.4	130.2	130.1	130.1	130.0	129.9	129.8	129.8			
% Chg Previous Month SAAR	0.2	0.6	1.1	0.0	-1.9	1.5	-1.1	-1.4	-0.2	-0.7	-0.8	-0.5	-0.4			
% Chg Same Month Last Year	-1.1	-1.0	-0.6	-0.4	-0.4	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	-0.3	-0.3			
US Unemployment Rate (%)	5.8	5.7	5.8	5.9	6.0	5.7	5.8	5.8	6.0	6.1	6.4	6.2	6.1			
US Initial Claims for UI (000s)	397.8	416.9	410.6	389.0	410.5	386.7	408.6	423.3	447.2	431.6	425.9	398.5	402.8			
% Chg Previous Month SAAR	40.0	75.6	-16.7	-47.7	90.7	-51.2	93.7	52.8	93.3	-34.7	-14.7	-55.0	13.7			
% Chg Same Month Last Year	-0.6	-7.1	-15.5	-14.2	2.0	-3.6	5.0	0.8	3.4	5.8	8.6	3.0	1.3			
US Industrial Production Index	111.3	111.2	110.6	110.8	109.9	110.7	110.7	110.1	109.5	109.5	109.4	110.2	110.2			
% Chg Previous Month SAAR	-2.9	-0.7	-6.9	2.4	-9.4	8.9	0.7	-6.9	-6.4	0.1	-1.2	9.8	-0.6			
% Chg Same Month Last Year	0.6	1.2	1.0	1.8	1.4	1.6	1.4	0.4	-0.6	-0.9	-1.3	-1.2	-1.0			
US Per. Inc. Less Trans. (Bil 92\$)	6879.2	6881.0	6863.9	6874.2	6893.8	6886.3	6872.0	6858.7	6880.7	6909.3	6921.3	6925.5	6920.9			
% Chg Previous Month SAAR	0.4	0.3	-2.9	1.8	3.5	-1.3	-2.5	-2.3	3.9	5.1	2.1	0.7	-0.8			
% Chg Same Month Last Year	0.4	0.0	0.8	0.9	0.6	0.6	0.2	-0.1	0.5	0.5	0.0	0.7	0.6			
CPI All Urban (1982-84=100)	180.5	180.9	181.2	181.4	181.6	182.2	183.3	183.9	183.3	183.3	183.6	183.9	184.5			
% Chg Previous Month SAAR	2.7	2.7	2.0	1.3	1.3	4.0	7.5	4.0	-3.8	0.0	2.0	2.0	4.0			
% Chg Same Month Last Year	1.7	1.6	2.0	2.3	2.4	2.6	3.0	3.0	2.2	2.1	2.1	2.1	2.2			
US Retail Sales (Bil 84\$)	302.4	298.3	299.5	301.7	305.8	307.0	302.7	309.6	308.7	310.2	313.1	317.5	321.2			
% Chg Previous Month SAAR	6.6	-15.2	4.7	9.4	17.6	4.9	-15.6	30.7	-3.4	6.1	11.9	18.1	14.9			
% Chg Same Month Last Year	4.5	4.8	-0.8	2.7	4.3	5.0	3.0	5.4	3.6	5.6	5.1	5.5	6.2			
Manufacturing & Trade Sales (000s)	867.4	859.0	861.4	867.3	870.7	875.3	857.7	868.0	864.1	870.2	880.1	893.1	*890.1			
% Chg Previous Month SAAR	-1.4	-11.0	3.4	8.5	4.8	6.6	-21.7	15.3	-5.2	8.8	14.5	19.3	-4.0			
% Chg Same Month Last Year	2.6	4.6	1.4	2.5	2.5	2.1	1.0	2.3	0.8	1.6	2.4	2.8	2.6			
US Consumer Sentiment (1966=100)	80.6	79.9	73.1	78.5	80.8	72.8	69.9	69.6	79.3	91.4	86.4	83.7	82.5			
% Chg Previous Month AR	-5.8	-9.9	-65.6	135.2	41.4	-71.4	-38.6	-5.0	378.6	449.6	-49.1	-31.7	-15.9			
% Chg Same Month Last Year	-5.4	8.7	-3.2	2.5	-1.8	-20.3	-19.8	-24.9	-11.0	-1.4	-1.7	3.3	2.4			
Ave. Prime Interest Rate (% NSA)	4.75	4.75	4.75	4.35	4.25	4.25	4.25	4.25	4.25	4.25	4.22	4.00	4.00			